

# **Congressional Testimony**

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## **Statement for the Record**

**Before the Committee on the Budget  
U.S. House of Representatives**

**Hearing on Waste, Fraud, and Abuse  
in Mandatory Spending Programs**

**July 9, 2003**

Good morning, Chairman Nussle, Ranking Member Spratt, and Members of the Committee on Budget. I welcome the opportunity to testify with several of my colleagues of other key agencies on this important issue of fraud, waste, and abuse in mandatory spending programs. Since these issues are at the heart of the Office of the Inspector General's (OIG) mission, I appreciate your letting me tell you about our efforts to identify and prevent fraud, waste, and abuse in the Old-Age, Survivor's and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs administered by the Social Security Administration (SSA).

We all know that prevention of program fraud, waste, and abuse is more cost-effective and more meaningful if it can be detected before benefits are ever paid. To that end, our office has focused not only on identifying erroneous payments, but also preventing such payments from being issued in the first place.

I would reiterate two comments Comptroller General David Walker made during questioning at your June 18th hearing. He noted that the greatest potential for cost savings lies in making fundamental reassessments of government programs, policies, and activities based in "21st century reality," and that smaller savings were possible primarily from improving economy, efficiency, and effectiveness of Federal programs. The smallest savings, he said, can be found in the areas of vulnerability to waste, fraud, abuse, and mismanagement. The sort of fundamental reassessment Comptroller General Walker described is not quick work, and will entail prolonged public discussion of the manner of government we want in the next century.

Today's hearing pursues more modest, and hopefully more readily obtainable goals. Certainly there are still areas of waste, fraud, abuse, and mismanagement in government programs, though years of effort have reduced waste from every Federal agency. In finding those areas of fraud, waste, and abuse, we also devise the ways to improve economy, efficiency and effectiveness that the Comptroller General mentioned as a more productive source of savings.

Let me add to what the Comptroller General advocated. He urged Congress to adopt the recommendations of the various Offices of the Inspector General and to hold agencies accountable for not adopting OIG recommendations—especially those that have not been implemented over time and could save Federal funds.

For 25 years, Congress has tasked OIGs with reporting on the work we do. A great deal of our work product, as I will describe today, consists of the careful and thoughtful audit analyses we conduct. Twice each year we report to Congress—and specifically to the committees that oversee our parent agencies—on recommendations we have made to save money or to deliver agency services more effectively. Those reports are required by statute to advise you on what our agencies have done to put our recommendations into effect, and what they have left undone or done differently.

The savings we propose represent great sums of money that could be used better elsewhere, whether within or outside of Government. The OIGs exist not only to

capture frauds and cheats, but equally to find those savings that may be realized through better management and less waste. Our ability to do all of this is limited only by our resources, and we return more in savings than we cost in outlays by a return-on-investment figure most corporations would envy. My colleagues and I appreciate the interest this hearing demonstrates in making greater use of the work we are paid to do. I believe we offer this committee and the other committees of Congress a great deal of help in oversight and decision-making.

Within SSA, to focus on my own Agency, despite significant strides there is still room for improvement. In fiscal year (FY) 2002, for example, SSA issued \$483 billion in OASDI and SSI benefit payments to 53.1 million people. Thus, considering the volume and amount of payments SSA makes each month, even a small percentage of fraud, waste, and abuse can result in millions of dollars in erroneous benefit payments. It can also harm SSA's reputation as a good steward of its programs and American's faith in Government overall.

For instance, in FY 2002, SSA identified and reported \$1.6 billion in overpayments in the OASDI program and \$2.0 billion in overpayments in the SSI program—for a total of \$3.6 billion in overpayments. The Agency must now expend its scarce resources to recover and return those overpayments to either the OASDI Trust Fund or the General Fund. Although a portion of these could not be prevented under current legislative requirements or due to the current design of SSA's programs, another portion can be attributed to fraud and abuse.

According to SSA statistics, the Agency collected about \$1.9 billion in overpayments in FY 2002 (for periods prior to and including FY 2002). Further, \$514 million in overpayments were waived and \$506 million were deemed uncollectible in FY 2002. (Charts attached to this testimony provide additional information.) There is also a portion of the debt that remains unresolved. Under §§ 1631(7)(B)(ii) and 204(b) of the Social Security Act, SSA has the authority to waive an overpayment. If an overpayment is waived, the individual is no longer liable for the debt and SSA can **not** collect the overpayment amount at a later date. On the other hand, overpayments that are deemed uncollectible may be recovered at a later date if a person's circumstances change. If an overpayment is deemed uncollectible, SSA will stop collection activity; however, if the person comes back into pay status or other circumstances arise that indicate the person can repay the debt, then SSA can try to recover the funds. These statistics represent only identified instances of overpayments in SSA's program. They do not represent overpayments from fraud, waste, and abuse that are undetected.

To quantify the magnitude of fraud, waste, and abuse, we plan to initiate a comprehensive study in FY 2004 to estimate some of the unidentified overpayments in SSA's disability programs. Specifically, we plan to sample and analyze approximately 1,500 disabled beneficiary cases to determine whether the benefits have been properly paid or should be terminated because of fraud, waste, or abuse. This work will focus on the 4 disability diagnosis groups that our prior audit and investigative work have shown to be most problematic. Due to the comprehensive

nature of our planned review and the resources needed to investigate this type of activity, we expect that the work necessary to analyze these cases will take between 12 and 15 months to complete.

We are focusing our work on SSA's disability programs, in part, because the General Accounting Office designated modernizing Federal disability programs—including SSA's disability program—as a high-risk area in January 2003; and also because of the higher likelihood of fraud and abuse in this area. To illustrate, in FY 1998, with assistance from SSA and the State Disability Determination Services (DDS), we analyzed 66 SSI cases of individuals from an extended Georgia family of 181 SSI recipients who received in excess of \$1 million based on alleged physical and emotional disorders, hyperactivity, and attention deficit disorders. During the continuing disability review (CDR) process, SSA halted benefits to these individuals. It is believed that most of these claimants initially qualified for benefits because they malingered or feigned a disability.

In addition to our planned work to quantify the amount of unidentified improper payments due to fraud, waste, and abuse in SSA's disability program, our Cooperative Disability Investigations (CDI) teams—which first opened in FY1998—are at the forefront of our efforts to identify and prevent fraud. The CDI teams investigate suspicious disability claims under the DI and SSI programs; and, generally, these teams consist of OIG special agents and personnel from SSA and the State DDS, as well as State and local law enforcement. These CDI teams have been identifying and investigating doctors, lawyers, and other third parties who facilitate disability fraud. Today, 17 CDI units have been opened in 16 States and we plan to add CDI units on a year-to-year basis, depending on availability of funds. In the first six months of this year, we reported that the CDI units had confirmed 733 fraud cases, recovered \$879,235 in funds, and saved the Social Security program over \$43 million.

Our work has also identified fraud, waste, and abuse in the disability program. For example, we recently completed an audit on SSA's procedures to control duplicate SSI checks issued to the same recipient and recover overpayments resulting from double check negotiations. We found that SSA recorded over 226,000 double check negotiations totaling about \$104.7 million during the 2-year period ended March 31, 2002. During the most recent year, we identified 8,375 individuals who negotiated both their initial and replacement checks from 3 to 12 times in the same year, resulting in overpayments of \$16.7 million. This category includes 1,271 individuals who negotiated 6 or more SSI replacement and initial checks, resulting in average overpayments of about \$3,500. Our investigators are also involved in a project in Syracuse, New York—where 649 double check negotiations were processed—to seek prosecution of individuals who abused the replacement check process. As a result of our work, SSA has revised its procedures to improve its controls over double check negotiations and recovery of related overpayments.

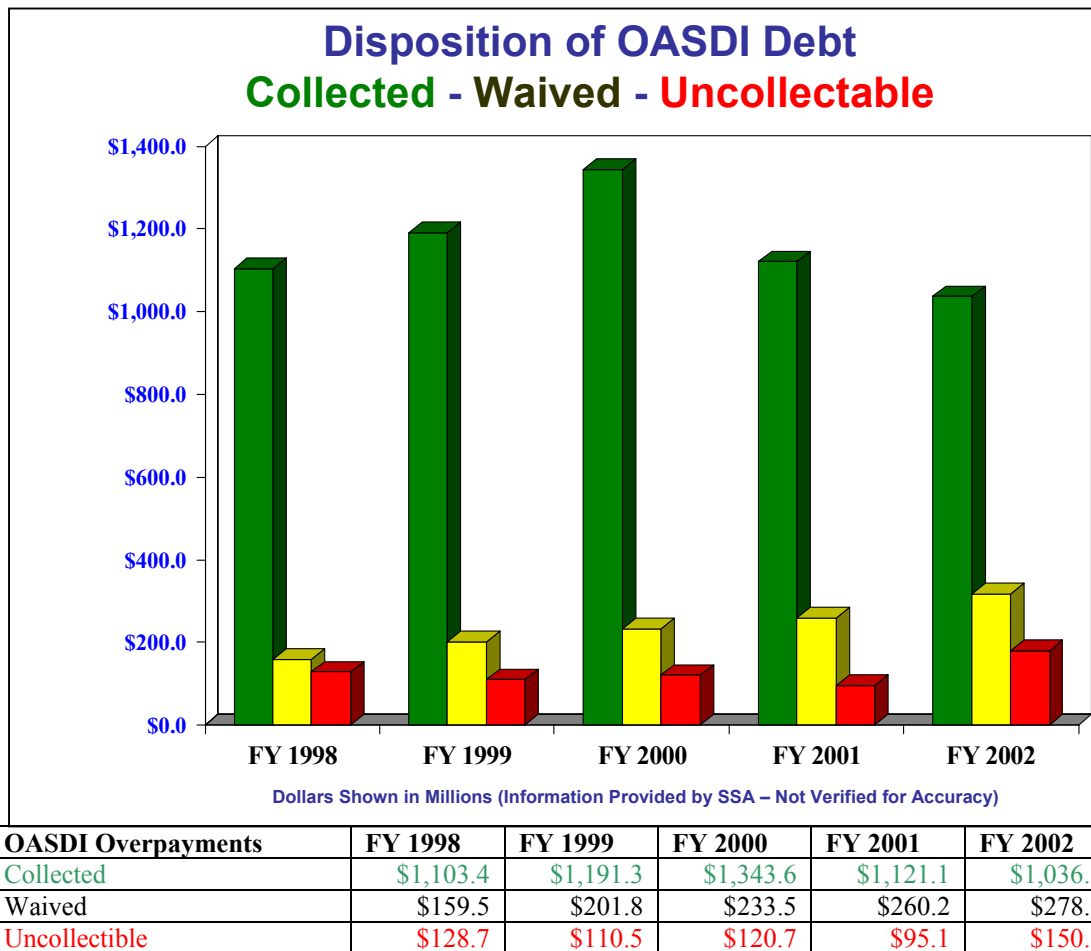
We also recently identified fraud, waste and abuse involving the issue of unreported marriage information to SSA. Based on our analysis of some State Bureau of Vital

Statistics records, we estimated that if SSA had purchased State vital records to identify unreported marriages at the end of 1999, the Agency could have detected about \$11.9 million in OASDI overpayments on an annual basis at a projected cost of \$1.7 million—resulting in net program savings of about \$10.2 million. As a result of our work, we made several recommendations to SSA, including that the Agency obtain marriage records from State Bureaus of Vital Statistics on a regular basis to identify beneficiaries who did not report their marriages. SSA did agree to continue its efforts to work with the National Center for Health Statistics and National Association for Public Health Statistics and Information Systems to promote the reengineering of State vital records processes. The initial phase of the effort deals with birth and death records. SSA plans to have 90 percent of the States participating in the initial phase by 2005 at the earliest. Implementation of a computer match with marriage records would occur as a later phase.

As you can see, we have made great strides in preventing fraud, waste, and abuse in SSA's programs, as well as in identifying and recovering erroneous payments that result from it. We will continue to focus our resources on this critical area; and where necessary, we will work with SSA and Congress to make any needed administrative or legislative changes.

I would be happy to answer any questions the Subcommittee might have.

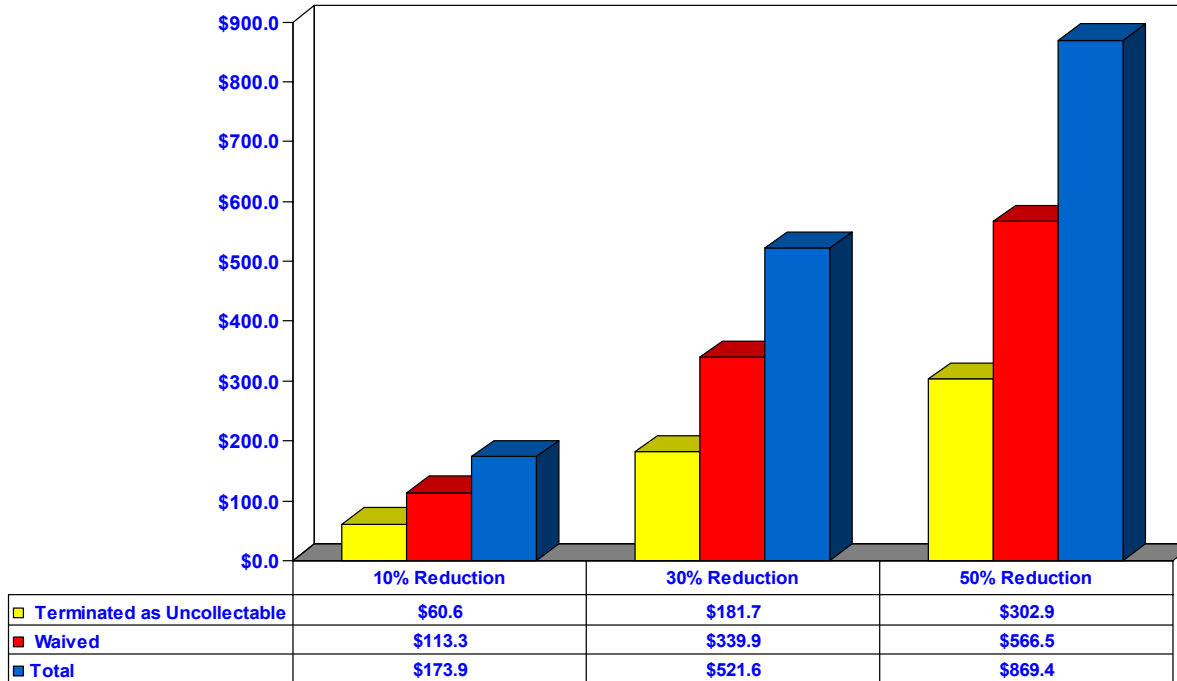
Thank you.



The bar chart shown above—which was provided by SSA—illustrates the disposition of SSA’s OASDI overpayment debt for the past 5 years in terms of what has been collected (the green bar), what has been waived (the yellow bar) and what has been terminated as uncollectible (the red bar).

As you can see, collections peaked in Fiscal Year 2000 at \$1.34 billion. However, they decreased the last 2 years; and collections were only a little over \$1 million dollars in Fiscal Year 2002.

## Savings Available by Decreasing the Percentage of Debt Terminated/Waived – Title II Debt - Fiscal Years 1998 - 2002

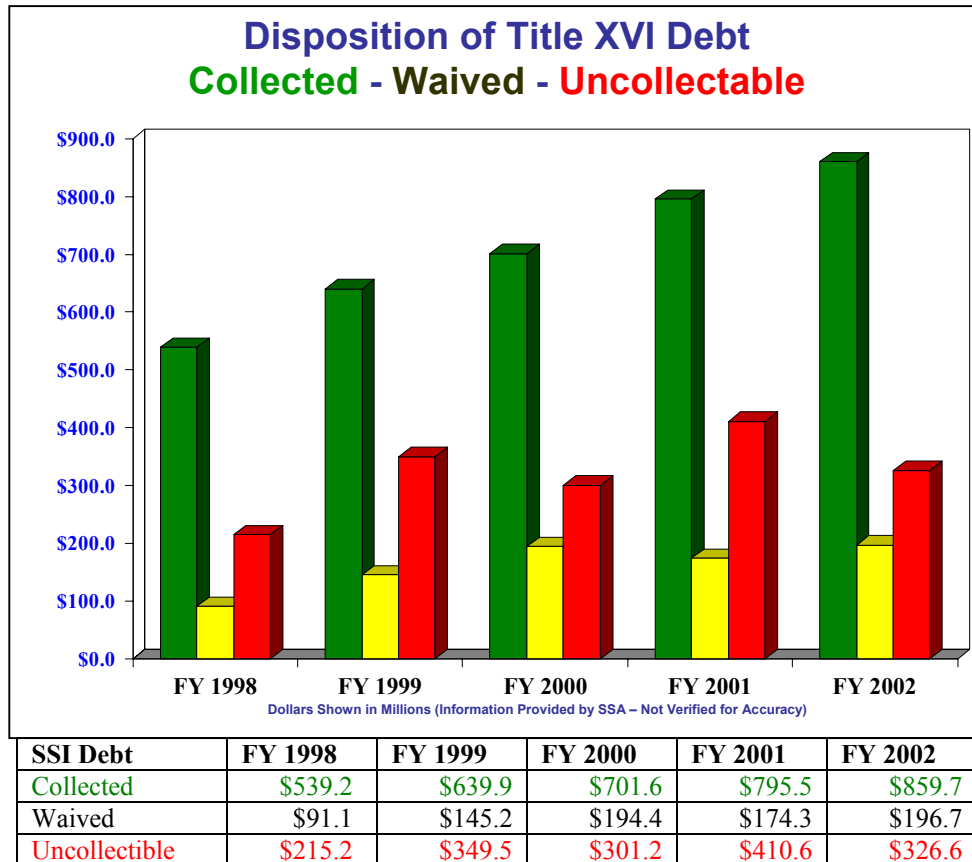


Dollars Shown in Millions

Information Provided by SSA – Not Verified for Accuracy

This chart shows that if SSA were to collect just 10 percent of the OASDI funds it waived or wrote off as uncollectible for the last 5 years, the Agency could save about \$174 million. (Breakdown: If SSA collected 10 percent of the funds it waived, savings would be \$113.3 million. If SSA collected 10 percent of the funds it deemed uncollectible, savings would be \$60.6 million).

The chart also shows the savings if SSA collected 30 percent or 50 percent of the erroneous payments it waived or wrote off over the last 5 years (from 1998 to 2002).

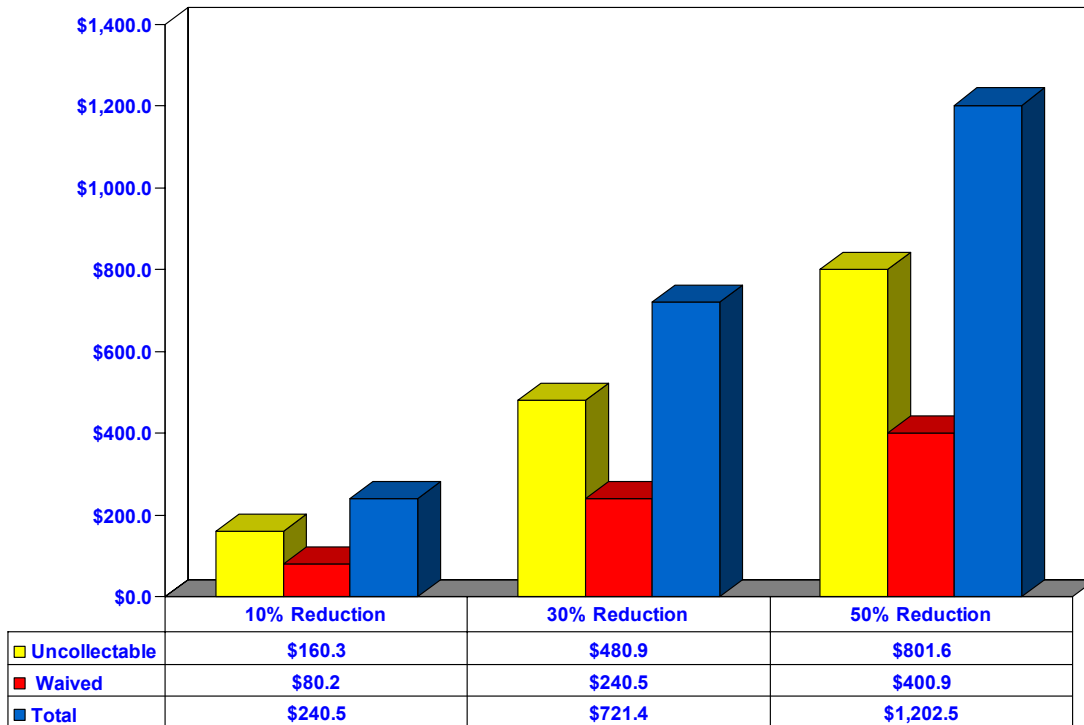


As shown in the chart above (which was also provided by SSA), the Agency's collection of SSI overpayments have been increasing slightly each year. For example, SSA collected of \$795 million in FY 2001 and then collections increased to \$859 million in FY 2002.

However, as you can also see from the chart, waivers and uncollectible debt make up a larger percentage of the SSI program than the OASDI program. This is not unexpected since the SSI program is a needs based program and it is difficult to collect overpaid funds from those who are financially needy in the first place. Also, the general limitation of only collecting 10 percent from current SSI benefits impacts the Agency's ability to collect SSI overpayments.



## Savings Available by Decreasing the Percentage of Debt Terminated/Waived – Title XVI Debt - Fiscal Years 1998 - 2002



Dollars Shown in Millions (Information Provided by SSA – Not Verified for Accuracy)

This chart shows that if SSA were to collect just 10 percent of the SSI funds it waived or wrote off as uncollectible for the last 5 years that the Agency could save about \$240 million--\$80 million from waivers and \$160 million from funds deemed uncollectible.

The chart also shows the savings if SSA collected 30 percent or 50 percent of the overpayments it waived or wrote off over the last 5 years (from 1998 to 2002)—\$721 million in savings if 30 percent of waivers/uncollectible funds recovered and \$1.2 billion in savings if 50 percent of waivers/uncollectible funds recovered.